# Federal Reserve slashes interest rates to zero (washingtonpost.com)

228 points by ncw96 3 hours ago | hide | past | web | favorite | 174 comments

add comment

sershe 7 minutes ago [-]

At this point, I'm actually starting to wonder. If we literally do nothing about the virus, or do the bare minimum, the worst case scenario based on the numbers I hear is 7.7b * 0.6 (total infections) * 0.02-0.03 (presumed mortality rate after the healthcare system collapses), ~115m people are going to die worldwide. This appears to me to be the absolute worst case scenario given current knowledge; gradually slowing infection rates, the fact that the developing world skews younger and is less connected, etc., may make it better. That 115m will skew heavily towards the elderly, i.e. loss in days-of-life would be significantly less than you would expect.

Now, if you put value on days of human life (which you totally can do; first, as a matter of policy, you won't pay a million dollars to give a 90 year old another year of life, nor would you pay a billion to cure cancer in one teenager; second, you do it every day when you take quantifiable risks to make money or for convenience, everything from being a logger or a deep sea fisherman, to merely driving)... if you put value on human life, how much would this waste of life be worth? And how much waste of life is a worldwide recession or depression going to produce - in direct deaths, days lost by billions of people in s terrible economy, esp. if it gets to GD levels or worse, or in the developing world where it definitely will if the economy grinds to a halt; and on top of that in purely monetary terms, as people are not able to do things from buying houses to merely making ends meet, depending on the circumstances?

At this point everybody seems to admit it's beyond containment and the only thing we are trying to do is flatten the curve and prevent the deaths. Is entering a recession, or worse a depression and risking a total collapse really worth it? I am starting to doubt it.

reply

aazaa 3 hours ago [-]

The Fed can, and will do much, much more. The signal here should be read as "whatever it takes to avoid a depression."

Among other steps, this is likely to mean:

- Negative-yielding long-term treasuries

- Direct purchase of stocks or ETFs, which would require congressional approval. Expect the discussions to start soon.

The steps already taken and the ones to be taken will create financial manipulation on a scale never before seen.

If the Fed loses this fight, game over.

reply

inferiorhuman 2 hours ago [-]

*If the Fed loses this fight, game over.*

This isn't the Fed's fight. Monetary policy won't fix this.

reply

ineedasername 2 hours ago [-]

Precisely. This isn't an issue driven by obscure and multi-layers investment vehicles that can't survive when stressed. This is a decrease in the market driven by actual significantly reduced consumption and demand for a wide variety of services. The Fed keeping things liquid is important, as are things like low interest loans to small businesses. But it doesn't matter how cheap your credit is if you don't actually have any revenue coming in. Monetary policy will (hopefully) help keep the economy from complete disaster while the underlying issue is resolved, but that's the most it can do.

reply

jfoutz 1 hour ago [-]

I'm sort of surprised they didn't try to push the issue from the bottom. give every tax filer some amount of money say, $200. A bonus for each dependent, say, $100.

pulled numbers absolutely out of thin air.

I thought the issue was money sloshing around at the bottom, a couple hundred bucks can be a big deal when you're out of work.

Ah well, I'm sure the experts have it well in hand.

reply

kasey_junk 8 minutes ago [-]

The fed can’t do that. The legislative would need to.

reply

jfoutz 1 minute ago [-]

Sure, not unilaterally. But last time the fed chair testified before congress that emergency action was required [1]. The fed can do lots of things besides futz with interest rates.

But again, this is just Sunday afternoon armchair quarterbacking.

[1] https://en.wikipedia.org/wi...

miohtama 54 minutes ago [-]

It's called helicopter money. Australia and Hong Kong already announced going down this route.

https://en.m.wikipedia.org/...

It is very last measure as in that point you are basically admitting that capitalism has failed.

reply

gentleman11 19 minutes ago [-]

Alberta did this with a surplus once. It was great. It doesn’t need to be a last resort at all

reply

snidane 40 minutes ago [-]

> It is very last measure as in that point you are basically admitting that capitalism has failed.

1. it might be better to prevent a situation of people unable to pay rents and mortgages and have the entire banking system collapse on this enormous liquidity trap. That could mean end of capitalism for sure

2. from capitalist point of ciew, you can look at helicopter money as a dividend. Companies 'give out' money to shareholders and Alaska and Saudi Arabia give out oil money to citizens too.

reply

chrispeel 35 minutes ago [-]

Maybe in some sense this would be admitting that capitalism failed, but not in some bad sense. Any monetary policy at all is acknowledging that we want a closed-loop to keep the economy stable; this closed loop is an acknowledgement that anarcho-capitalism (without any feedback loop) is not stable.

Helicopter money seems reasonable to me. Depending on how it's delivered, it could act like a temporary UBI.

reply

sjwright 18 minutes ago [-]

Assuming that tax isn't a failure of capitalism, how is a negative tax a failure of capitalism?

reply

simonh 2 hours ago [-]

This is correct, the financial system is actually fine. Banks are well capitalised and stable. The problems are cash flow for businesses, incomes for low income and hourly wage earners, and health care for huge swathes of Americans.

The fed has an important role to play of course, but they're really a sideshow this time around.

reply

mindcrash 2 hours ago [-]

>the financial system is actually fine. Banks are well capitalised and stable.

No they are not. Most big European banks are technically bankrupt. Most big American banks are technically bankrupt too. The only reason people in general do not know about this is because they used a lot of financial tricks to make it look like they are healthy.

In fact, Deutsche Bank very likely had to announce that they are bankrupt this very month due to the fact they never learned from the former crisis -- causing a shockwave throughout the entire financial market worldwide, if not for COVID. Now they can just blame COVID when the entire financial system tanks.

Here's a video explaining what has been going on in Europe all these years. It will not be different for the United States (or certain parts of Asia for that matter) -> https://www.youtube.com/...

reply

toomuchtodo 1 hour ago [-]

https://www.federalreserve...

> In light of the shift to an ample reserves regime, the Board has reduced reserve requirement ratios to zero percent effective on March 26, the beginning of the next reserve maintenance period. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses.

Interesting time to be waiving reserve requirements of banks.

reply

bluGill 1 hour ago [-]

If a bank had reserves before now is the time to use them. In a few months they need to rebuild those reserves for whatever is next.

reply

toomuchtodo 1 hour ago [-]

If they didn't use them before, why would they use them now? Pushing the string. Can't fix fiscal policy issues with monetary policy. Helicopter money is all that's left, but that requires a functioning legislature, so we’ve already lost.

reply

spsful 55 minutes ago [-]

They didn't use them before because it would have been illegal. The Fed has mandated a 10% liquidity for all major banks.

See: https://www.federalreserve...

reply

toomuchtodo 53 minutes ago [-]

Allowing banks to draw down their reserves in their entirety isn’t going to change their behavior is my point. You need something like the US Gov’s SBA loan program or similar, to lend directly to businesses that are in jeopardy of default or failure. This is beyond the risk profile of traditional retail bank lending (although you’re probably near junk bond or hedge fund territory; at this scale though, those venues are inadequate). The Fed is attempting to inject liquidity in the wrong spot of the economy.

If you’re shooting for something like “TARP for Main Street”, this is a suboptimal path based on the incentives and historical behaviors of these regulated entities. Get the money velocity back up to speed ASAP.

Edit: We could’ve had the infra in place to plug into banking, credit, and IRS data for companies, to enable rapid analysis, decisioning, and funding of operating accounts in times of crisis as part of the US Treasury Dept. Perhaps next time.

reply

onlyrealcuzzo 2 hours ago [-]

A lot of people seem to think the Fed's job evolved to include preventing recessions.

I guess the Fed isn't accountable to the US public, so their job can be whatever they want it to be?

reply

dcftoapv 2 hours ago [-]

The feds mandate is to maximize employment, stabilize prices, and moderate long-term interest rates.

A big part of that is trying to avoid the 'bust' part of a boom-bust cycle.

As evidenced by your post, the fed should not be accountable to the public because the public cannot be expected to spend anytime trying to understand what they do and their methods of action.

reply

cle 2 hours ago [-]

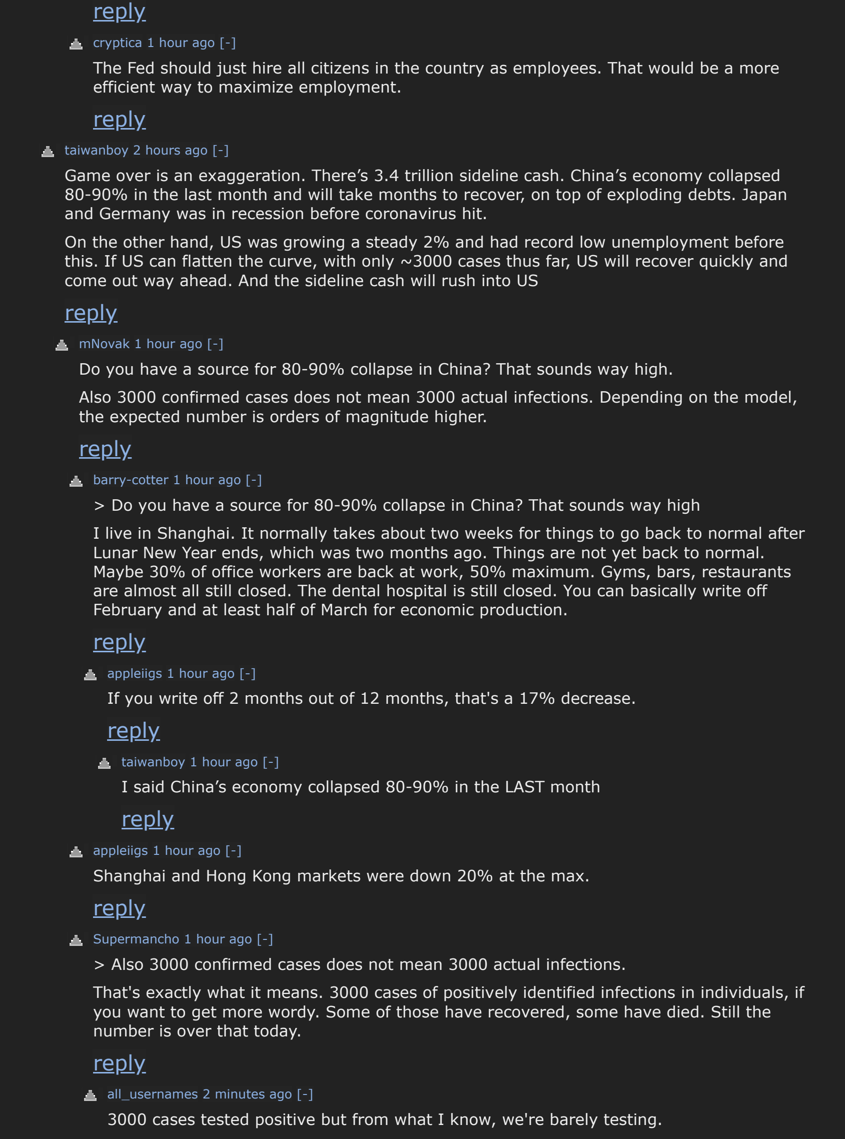
Any body holding significant power is at some level accountable to the public, regardless of laws or regulations or how little the public may understand. If the Fed can’t make the case to most citizens that it should exist and retain its power, then it is doomed, and no philosophical arguments could change that.

reply

kds3 1 hour ago [-]

> A big part of that is trying to avoid the 'bust' part of a boom-bust cycle.

The thing is you can't *avoid* the bust part, you can only soften it in a way it is not harmful for (some) people.



reply

cryptica 1 hour ago [-]

The Fed should just hire all citizens in the country as employees. That would be a more efficient way to maximize employment.

reply

taiwanboy 2 hours ago [-]

Game over is an exaggeration. There’s 3.4 trillion sideline cash. China’s economy collapsed 80-90% in the last month and will take months to recover, on top of exploding debts. Japan and Germany was in recession before coronavirus hit.

On the other hand, US was growing a steady 2% and had record low unemployment before this. If US can flatten the curve, with only ~3000 cases thus far, US will recover quickly and come out way ahead. And the sideline cash will rush into US

reply

mNovak 1 hour ago [-]

Do you have a source for 80-90% collapse in China? That sounds way high.

Also 3000 confirmed cases does not mean 3000 actual infections. Depending on the model, the expected number is orders of magnitude higher.

reply

barry-cotter 1 hour ago [-]

> Do you have a source for 80-90% collapse in China? That sounds way high

I live in Shanghai. It normally takes about two weeks for things to go back to normal after Lunar New Year ends, which was two months ago. Things are not yet back to normal. Maybe 30% of office workers are back at work, 50% maximum. Gyms, bars, restaurants are almost all still closed. The dental hospital is still closed. You can basically write off February and at least half of March for economic production.

reply

appleiigs 1 hour ago [-]

If you write off 2 months out of 12 months, that's a 17% decrease.

reply

taiwanboy 1 hour ago [-]

I said China’s economy collapsed 80-90% in the LAST month

reply

appleiigs 1 hour ago [-]

Shanghai and Hong Kong markets were down 20% at the max.

reply

Supermancho 1 hour ago [-]

> Also 3000 confirmed cases does not mean 3000 actual infections.

That's exactly what it means. 3000 cases of positively identified infections in individuals, if you want to get more wordy. Some of those have recovered, some have died. Still the number is over that today.

reply

all_usernames 2 minutes ago [-]

3000 cases tested positive but from what I know, we're barely testing.

Here in California as of today -- if you have a cough, and a fever, you will not be tested *unless* you have had international travel or known contact with a victim. This I know because I've spoken to two doctors and a nurse through Aetna.

llampx 31 minutes ago [-]

Technically it means minimum 3000 cases, probably more .

reply

deelowe 1 hour ago [-]

What are we doing to flatten the curve? I keep seeing the us getting compared to Italy.

reply

aksss 1 hour ago [-]

Well systemically remember Americans are out-of-the-box more “socially-distanced” than Italians. We all commute one person to a car, we have an outsized sense of personal space. We are less community oriented by and large.

reply

taiwanboy 1 hour ago [-]

Closing down schools, banning large gatherings, setting up drive thru testing, ramping up test kits next week, letting employees to work from home, closing borders to China and Europe (25k cases), etc

reply

deelowe 1 hour ago [-]

Does that stuff help? Did Italy do that? Im seeing tons of people on IG using this time as a means to take vacations.

reply

notatoad 18 minutes ago [-]

Yes, it helps. China had Hubei province on lockdown for the last couple months and that's a big reason that they have been able to control the spread.

Italy should not be looked to as a model of how to handle this.

reply

deelowe 3 minutes ago [-]

Was China's lockdown similar? All I saw was the propaganda video of people being welded into their homes which was later debunked.

Goladus 1 hour ago [-]

*Does that stuff help?*

Yes, if practiced as intended, which there is no guarantee.

*Did Italy do that?*

Perhaps not as quickly as they should have. The rest of the world is learning from Italy's experience (they should have been paying closer attention to China, but that's another story)

Another thing to realize is that these numbers you are seeing are WITH CONTROLS. Sure, "only" 3,000 Chinese have died. Maybe it's more than that, it's hard to trust Chinese numbers. But even at 2x or 3x, that's far cry from the millions it could have been, had China not both imposed extreme controls to limit the spread of the disease AND allocated emergency resources to healthcare.

Some models show realistic scenarios where 5 million Americans die within a year, if the virus is allowed to spread at its maximum rate.

reply

deelowe 41 minutes ago [-]

Didn't one model show over 100M?

reply

mcphilip 2 hours ago [-]

Interesting that S&P futures have fallen 3% as of 5:00pm in Asia. Are markets interpreting this less as the Fed signaling it will do whatever it takes and more as the Fed is panicked and the financial system is under a huge amount of pressure behind the scenes?

Edit: S&P futures limit down at 5:15.

reply

blihp 2 hours ago [-]

A significant fraction of the economies of the world are being shut down, which is what needs to happen short term.[1] Interest rate cuts and liquidity injections won't do much of anything about the fact that, other than mostly small ticket essentials, no one is buying, no one is selling and no one is producing much right now. At the very least, this quarter is shot and markets are just trying to price in what stalling out the economy is going to mean. The problem is, no one knows how long this will take or how quickly activity will (hopefully) recover when it's all over.

[1] If you disagree, picture this scenario: everyone went about their business as usual, vastly larger numbers of cases are reported with corresponding deaths, healthcare providers are hopelessly overwhelmed, the public starts to panic... and economies are still shutting down but due to fear.

reply

dcftoapv 2 hours ago [-]

The problem is that fed action isn't enough. We need policy changes to keep SMEs above water. The White House and Congress have not taken appropriate action. Trump acted like he was going to take action on Friday, the markets ripped higher, and everything he announced was worthless, but that wasn't clear until markets closed.

reply

vsareto 2 hours ago [-]

The only alternative reason is that the Fed is simply giving in to Trump's demand.

reply

dharma1 3 hours ago [-]

Direct purchases of shares will do little to alleviate this crisis.

The treasury purchases will fund the government to help industries which are badly affected from going under, companies with cash flow issues, and employees who need to take time off - which they already announced on Friday. I think $500b will be the beginning, will likely be much more needed

reply

dcftoapv 3 hours ago [-]

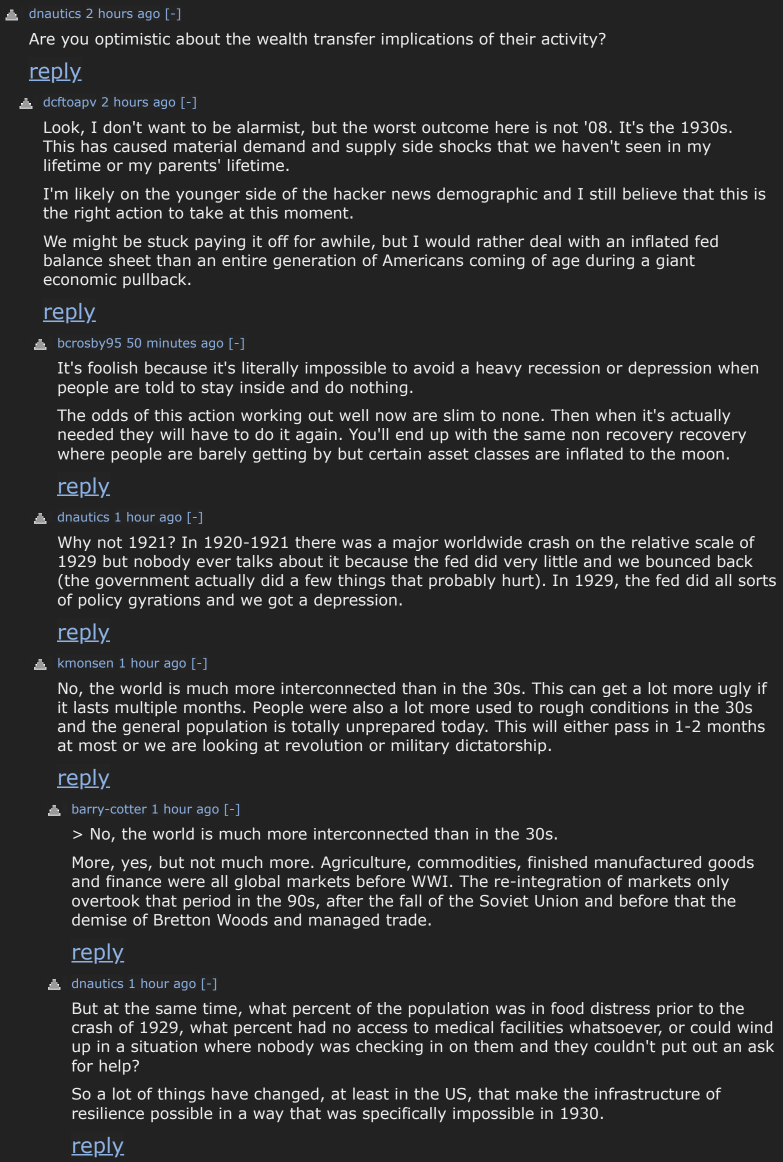
Asset purchases will help to stabilize markets

- The fed became a huge driver of liquidity from from 2016-2018

- There was a noticeable increase in market toxicity when they started letting assets roll of their balance sheet in 2018

I'm more optimistic about the impacts of their role as a liquidity provider than I am about their role holding down the effective overnight borrowing rate.

reply



dnautics 2 hours ago [-]

Are you optimistic about the wealth transfer implications of their activity?

reply

dcftoapv 2 hours ago [-]

Look, I don't want to be alarmist, but the worst outcome here is not '08. It's the 1930s. This has caused material demand and supply side shocks that we haven't seen in my lifetime or my parents' lifetime.

I'm likely on the younger side of the hacker news demographic and I still believe that this is the right action to take at this moment.

We might be stuck paying it off for awhile, but I would rather deal with an inflated fed balance sheet than an entire generation of Americans coming of age during a giant economic pullback.

reply

bcrosby95 50 minutes ago [-]

It's foolish because it's literally impossible to avoid a heavy recession or depression when people are told to stay inside and do nothing.

The odds of this action working out well now are slim to none. Then when it's actually needed they will have to do it again. You'll end up with the same non recovery recovery where people are barely getting by but certain asset classes are inflated to the moon.

reply

dnautics 1 hour ago [-]

Why not 1921? In 1920-1921 there was a major worldwide crash on the relative scale of 1929 but nobody ever talks about it because the fed did very little and we bounced back (the government actually did a few things that probably hurt). In 1929, the fed did all sorts of policy gyrations and we got a depression.

reply

kmonsen 1 hour ago [-]

No, the world is much more interconnected than in the 30s. This can get a lot more ugly if it lasts multiple months. People were also a lot more used to rough conditions in the 30s and the general population is totally unprepared today. This will either pass in 1-2 months at most or we are looking at revolution or military dictatorship.

reply

barry-cotter 1 hour ago [-]

> No, the world is much more interconnected than in the 30s.

More, yes, but not much more. Agriculture, commodities, finished manufactured goods and finance were all global markets before WWI. The re-integration of markets only overtook that period in the 90s, after the fall of the Soviet Union and before that the demise of Bretton Woods and managed trade.

reply

dnautics 1 hour ago [-]

But at the same time, what percent of the population was in food distress prior to the crash of 1929, what percent had no access to medical facilities whatsoever, or could wind up in a situation where nobody was checking in on them and they couldn't put out an ask for help?

So a lot of things have changed, at least in the US, that make the infrastructure of resilience possible in a way that was specifically impossible in 1930.

reply

barry-cotter 1 hour ago [-]

> Look, I don't want to be alarmist, but the worst outcome here is not '08. It's the 1930s.

This seems unlikely. The Fed does not seem to be on track to contract the money supply by 30% causing a wave of bank collapses, and leading to a trade war that means international trade collapses this time. They may not pursue optimal policy but every macroeconomist knows that that would be a bad idea. The joys of limited data are a better appreciation of history than microeconomics.

reply

dnautics 1 hour ago [-]

The policy understanding in 1933 (still early in the depression) was... Well... Primitive, to say the least.

Though sometimes I wonder exactly how much policy makers sophistication has evolved

https://youtu.be/JUvm9UgJ...

reply

csense 2 hours ago [-]

Does anyone here understand how negative interest rates would work?

Why would anyone buy a negative-rate treasury bond instead of just hanging on to their cash?

reply

dcftoapv 2 hours ago [-]

We used to think that rates couldn't go negative for exactly the reason you just described.

Turns out that assumption was wrong for a few reasons a) holding onto money is expensive b) in many cases banks have incentive to hold government securities c) sometimes they are outright required to hold government securities d) this is related to (a), but there is risk in holding onto cash where government debt is in many cases perceived as risk-free.

The thought today is that rates can go only slightly negative for short periods of time, which we will continue to believe until some government tries to push the lower bound again.

reply

csense 2 hours ago [-]

So people are willing to accept small negative rates if it would be less than the operational costs of shipping enormous truckloads of bills around, storing them, securing them, and insuring them against theft / fire? Is that's what's going on here?

reply

xiphias2 1 hour ago [-]

Can you even get a significant amount of money in truckloads of bills? If you would try it, you'd be surprised how much the banks would push against it.

reply

dcftoapv 2 hours ago [-]

That's kind of the thought, yes. Negative rates should not be sustainable for any significant period of time and most interest rate models are built on that assumption.

reply

sarah180 1 hour ago [-]

If you're a giant financial institution, would you want to count, hold, warehouse, secure and move around $100 million in $100 bills? It weighs roughly the same amount as a car.

It's the same reason I keep my money in a bank with no interest even though I sometimes have to pay ATM fees when I need it: the convenience and security offset the costs.

reply

appleiigs 1 hour ago [-]

You got some really weird replies. As interest rates go down, people move their money away from treasuries into other assets such as stocks, real estate, etc. Stocks and real estate at least can provide a return, therefore, it's preferred over negative treasuries and cash.

Negative rate treasuries can be preferred over cash because it's owed by the US gov't which has less credit risk than having your cash sitting at some savings & loans credit union in small town in Utah.

Edit: for the other replies: cash in this context does not mean physical paper money.

reply

auntienomen 2 hours ago [-]

If you have a large amount of money (e.g., you are a mutual fund), banks will charge you to hold it.

reply

SubiculumCode 1 hour ago [-]

Helicopter drops are needed, imo

reply

Anon84 2 hours ago [-]

What does game over mean in this context?

reply

BenoitEssiambre 1 hour ago [-]

Game over happens when, fiat money seems to have, on a risk adjusted, liquidity adjusted basis, a better return and better appeal than holding existing real private assets, therefore a process starts where people, businesses and banks try to hoard government paper all at the same time instead of holding private assets. Demand shifts so far towards government paper and away from private assets that the supply of the later assets go in steep decline (eg. businesses close, people are laid off etc.).

Basically fiat's appeal as an asset, its above market return, puts the private asset market in a gridlock.

It's normal for private asset returns to go negative in a crisis. Before paper money existed, losses on assets were a common thing. Your land would suffer from drought, your live stock would get an infection. You didn't stop working and shut everything down because you temporarily expected to get a poor return. You still wanted to eat something at the end of the year.

The existence of an artificial government asset that has difficulty following the private assets rate of return into the negatives, can sometimes block a large part of the private asset market from existing. Business owners choose to stop any investment, wind down their business and sit on cash. The world moves towards everybody holding pieces of paper and nobody producing anything you could buy with these pieces of paper.

Counter intuitively, in order to prevent people from holding too much government paper, you have to print a lot of it very early to make it seem less appealing.

For example, if toilet paper companies had been ahead of the curve and kept the shelves stocked, they probably wouldn't have needed to manufacture so much toilet paper because fewer would have hoarded it if it didn't look scarce. The fact that they didn't produce enough early enough, means they ended up having to produce more overall.

reply

AnthonyMouse 41 minutes ago [-]

> Game over happens when, fiat money seems to have, on a risk adjusted, liquidity adjusted basis, a better return and better appeal than holding existing real private assets, therefore a process starts where people, businesses and banks try to hoard government paper all at the same time instead of holding private assets.

This is what happened in the 1930s. But as you say, counteracting it is as easy as printing money. Which normally has the disadvantage of causing inflation (this is what they were excessively afraid of in the 1930s), but when there are existing deflationary forces in effect, all it does is even things out.

The real question is, what happens to the money they print? Buying treasuries with it is the usual option, which isn't a total disaster (it pushes investment back into stocks by lowering the yield on bonds), but a better option right now might be paying out the new money as a UBI.

That would serve two purposes at once. One, you fight the deflationary effect, and two, you help people out whose businesses are suffering, both by giving the proprietors a UBI and by giving their customers one as well so they then have some more money to patronize businesses with. So instead of propping up stock prices artificially, you maintain their value organically by strengthening consumer demand.

This also provides a nice answer to the question, what do we do once interest rates are *already* zero? At that point we can use any additional new money to fund a UBI instead of driving interest rates negative.

reply

dharma1 21 minutes ago [-]

It will be used to monetise government debt. You will see targeted fiscal action announced tomorrow, to the tune of perhaps a hundred billion or more, aiming to help the businesses (and employees of those businesses) that are (and will be) decimated by the freeze in economic activity, and the crash in demand.

From the announcement on Friday it sounded like the financial aid to companies that need it will be distributed through IRS as tax credits, or directly as cash to those companies with cash flow issues. I don't know how they aim to decide which companies qualify for the aid.

There will be several similar fiscal stimulus measures announced over the coming weeks, perhaps even bailouts.

reply

pishpash 2 hours ago [-]

Total financial collapse, asset holders wiped out.

reply

jgalt212 3 hours ago [-]

> If the Fed loses this fight, game over.

Only in the sense that the fate of the world rests in inflated asset prices. That's not to say actions of the Fed cannot stabilize the markets, which is very important. But if the world is scared and scared for a long time (demand shock), there's not much the Fed can do. Then it will come down to whether or not the USG can become the "consumer of last resort" via fiscal stimulus.

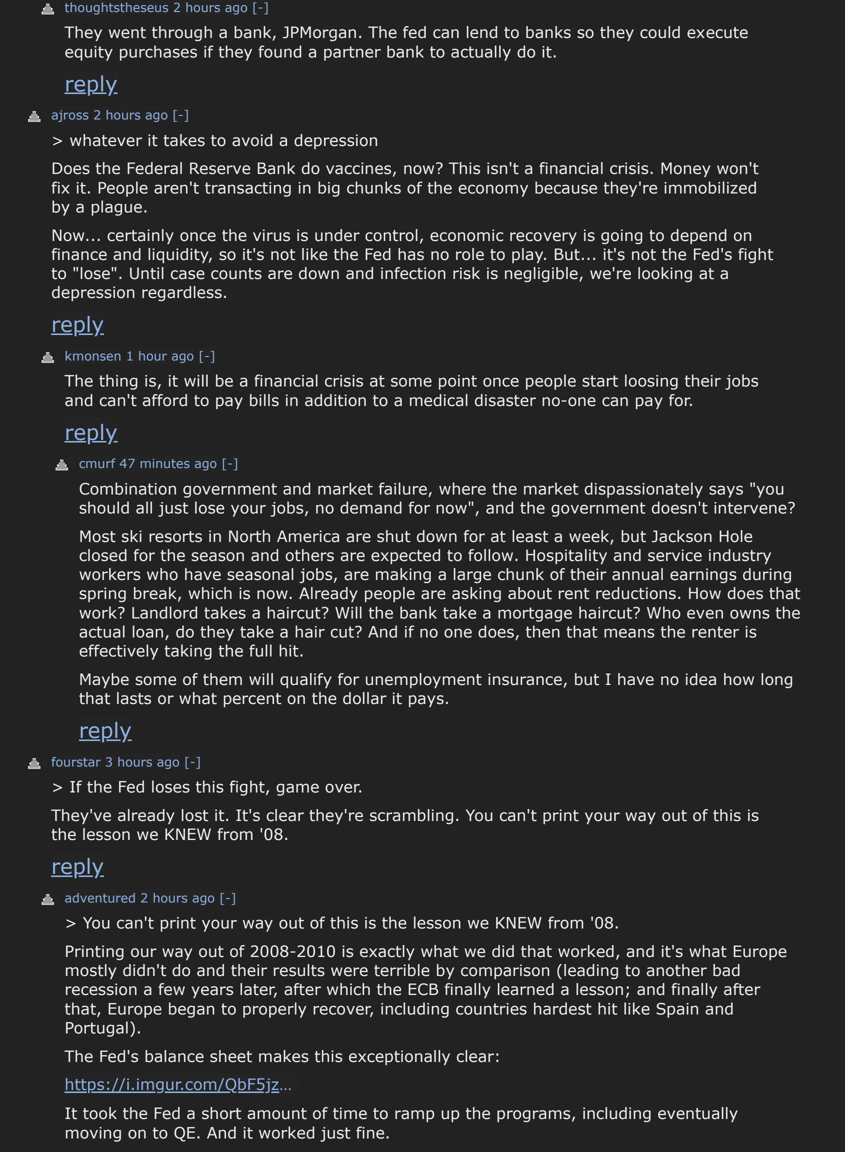
reply

internet_user 2 hours ago [-]

Why can't they just spin up an LLC that would buy stocks/ETFs and just write loans to it?

Why would that need congressional approval? Seems like exactly what they've done with Maiden Lane LLC

reply



thoughtstheseus 2 hours ago [-]

They went through a bank, JPMorgan. The fed can lend to banks so they could execute equity purchases if they found a partner bank to actually do it.

reply

ajross 2 hours ago [-]

> whatever it takes to avoid a depression

Does the Federal Reserve Bank do vaccines, now? This isn't a financial crisis. Money won't fix it. People aren't transacting in big chunks of the economy because they're immobilized by a plague.

Now... certainly once the virus is under control, economic recovery is going to depend on finance and liquidity, so it's not like the Fed has no role to play. But... it's not the Fed's fight to "lose". Until case counts are down and infection risk is negligible, we're looking at a depression regardless.

reply

kmonsen 1 hour ago [-]

The thing is, it will be a financial crisis at some point once people start loosing their jobs and can't afford to pay bills in addition to a medical disaster no-one can pay for.

reply

cmurf 47 minutes ago [-]

Combination government and market failure, where the market dispassionately says "you should all just lose your jobs, no demand for now", and the government doesn't intervene?

Most ski resorts in North America are shut down for at least a week, but Jackson Hole closed for the season and others are expected to follow. Hospitality and service industry workers who have seasonal jobs, are making a large chunk of their annual earnings during spring break, which is now. Already people are asking about rent reductions. How does that work? Landlord takes a haircut? Will the bank take a mortgage haircut? Who even owns the actual loan, do they take a hair cut? And if no one does, then that means the renter is effectively taking the full hit.

Maybe some of them will qualify for unemployment insurance, but I have no idea how long that lasts or what percent on the dollar it pays.

reply

fourstar 3 hours ago [-]

> If the Fed loses this fight, game over.

They've already lost it. It's clear they're scrambling. You can't print your way out of this is the lesson we KNEW from '08.

reply

adventured 2 hours ago [-]

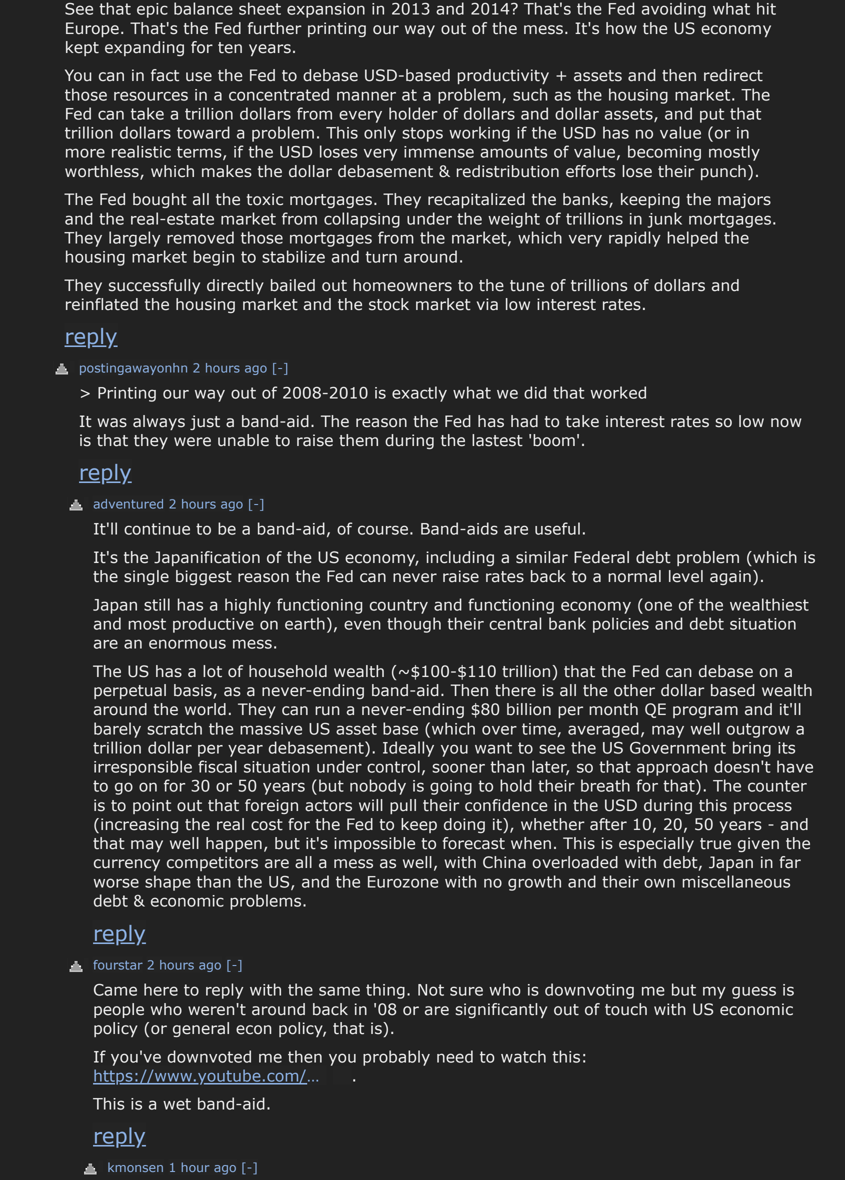
> You can't print your way out of this is the lesson we KNEW from '08.

Printing our way out of 2008-2010 is exactly what we did that worked, and it's what Europe mostly didn't do and their results were terrible by comparison (leading to another bad recession a few years later, after which the ECB finally learned a lesson; and finally after that, Europe began to properly recover, including countries hardest hit like Spain and Portugal).

The Fed's balance sheet makes this exceptionally clear:

https://i.imgur.com/QbF5jz...

It took the Fed a short amount of time to ramp up the programs, including eventually moving on to QE. And it worked just fine.



See that epic balance sheet expansion in 2013 and 2014? That's the Fed avoiding what hit Europe. That's the Fed further printing our way out of the mess. It's how the US economy kept expanding for ten years.

You can in fact use the Fed to debase USD-based productivity + assets and then redirect those resources in a concentrated manner at a problem, such as the housing market. The Fed can take a trillion dollars from every holder of dollars and dollar assets, and put that trillion dollars toward a problem. This only stops working if the USD has no value (or in more realistic terms, if the USD loses very immense amounts of value, becoming mostly worthless, which makes the dollar debasement & redistribution efforts lose their punch).

The Fed bought all the toxic mortgages. They recapitalized the banks, keeping the majors and the real-estate market from collapsing under the weight of trillions in junk mortgages. They largely removed those mortgages from the market, which very rapidly helped the housing market begin to stabilize and turn around.

They successfully directly bailed out homeowners to the tune of trillions of dollars and reinflated the housing market and the stock market via low interest rates.

reply

postingawayonhn 2 hours ago [-]

> Printing our way out of 2008-2010 is exactly what we did that worked

It was always just a band-aid. The reason the Fed has had to take interest rates so low now is that they were unable to raise them during the lastest 'boom'.

reply

adventured 2 hours ago [-]

It'll continue to be a band-aid, of course. Band-aids are useful.

It's the Japanification of the US economy, including a similar Federal debt problem (which is the single biggest reason the Fed can never raise rates back to a normal level again).

Japan still has a highly functioning country and functioning economy (one of the wealthiest and most productive on earth), even though their central bank policies and debt situation are an enormous mess.

The US has a lot of household wealth (~$100-$110 trillion) that the Fed can debase on a perpetual basis, as a never-ending band-aid. Then there is all the other dollar based wealth around the world. They can run a never-ending $80 billion per month QE program and it'll barely scratch the massive US asset base (which over time, averaged, may well outgrow a trillion dollar per year debasement). Ideally you want to see the US Government bring its irresponsible fiscal situation under control, sooner than later, so that approach doesn't have to go on for 30 or 50 years (but nobody is going to hold their breath for that). The counter is to point out that foreign actors will pull their confidence in the USD during this process (increasing the real cost for the Fed to keep doing it), whether after 10, 20, 50 years - and that may well happen, but it's impossible to forecast when. This is especially true given the currency competitors are all a mess as well, with China overloaded with debt, Japan in far worse shape than the US, and the Eurozone with no growth and their own miscellaneous debt & economic problems.

reply

fourstar 2 hours ago [-]

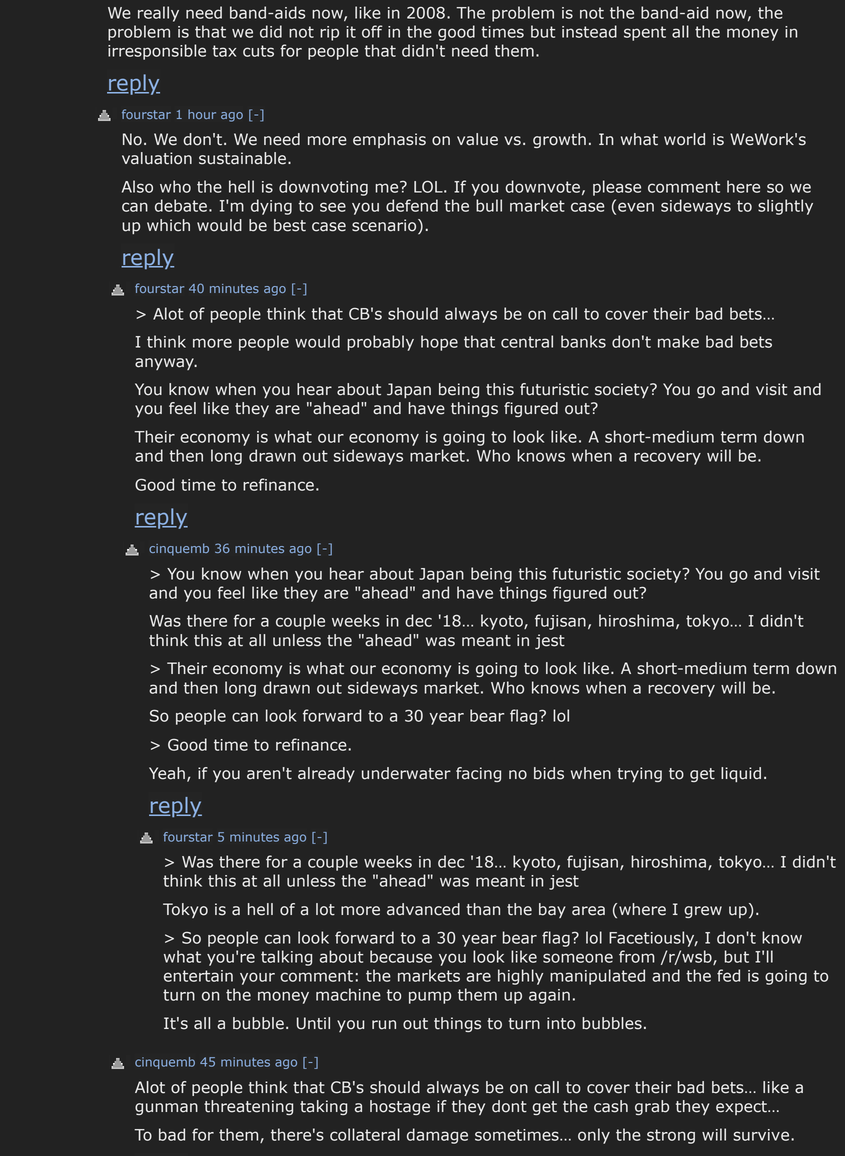
Came here to reply with the same thing. Not sure who is downvoting me but my guess is people who weren't around back in '08 or are significantly out of touch with US economic policy (or general econ policy, that is).

If you've downvoted me then you probably need to watch this: https://www.youtube.com/… .

This is a wet band-aid.

reply

kmonsen 1 hour ago [-]



We really need band-aids now, like in 2008. The problem is not the band-aid now, the problem is that we did not rip it off in the good times but instead spent all the money in irresponsible tax cuts for people that didn't need them.

reply

fourstar 1 hour ago [-]

No. We don't. We need more emphasis on value vs. growth. In what world is WeWork's valuation sustainable.

Also who the hell is downvoting me? LOL. If you downvote, please comment here so we can debate. I'm dying to see you defend the bull market case (even sideways to slightly up which would be best case scenario).

reply

fourstar 40 minutes ago [-]

> Alot of people think that CB's should always be on call to cover their bad bets...

I think more people would probably hope that central banks don't make bad bets anyway.

You know when you hear about Japan being this futuristic society? You go and visit and you feel like they are "ahead" and have things figured out?

Their economy is what our economy is going to look like. A short-medium term down and then long drawn out sideways market. Who knows when a recovery will be.

Good time to refinance.

reply

cinquemb 36 minutes ago [-]

> You know when you hear about Japan being this futuristic society? You go and visit and you feel like they are "ahead" and have things figured out?

Was there for a couple weeks in dec '18... kyoto, fujisan, hiroshima, tokyo... I didn't think this at all unless the "ahead" was meant in jest

> Their economy is what our economy is going to look like. A short-medium term down and then long drawn out sideways market. Who knows when a recovery will be.

So people can look forward to a 30 year bear flag? lol

> Good time to refinance.

Yeah, if you aren't already underwater facing no bids when trying to get liquid.

reply

fourstar 5 minutes ago [-]

> Was there for a couple weeks in dec '18... kyoto, fujisan, hiroshima, tokyo... I didn't think this at all unless the "ahead" was meant in jest

Tokyo is a hell of a lot more advanced than the bay area (where I grew up).

> So people can look forward to a 30 year bear flag? lol Facetiously, I don't know what you're talking about because you look like someone from /r/wsb, but I'll entertain your comment: the markets are highly manipulated and the fed is going to turn on the money machine to pump them up again.

It's all a bubble. Until you run out things to turn into bubbles.

cinquemb 45 minutes ago [-]

Alot of people think that CB's should always be on call to cover their bad bets... like a gunman threatening taking a hostage if they dont get the cash grab they expect...

To bad for them, there's collateral damage sometimes... only the strong will survive.

reply

grecy 2 hours ago [-]

> *Printing our way out of 2008-2010 is exactly what we did that worked*

Have a look at any country in history that printed it's way out of trouble, and see how that worked out for them in the longer term.

Zimbabwe is a good recent one to look at.

reply

vkou 1 hour ago [-]

> Have a look at any country in history that printed it's way out of trouble

Yes, as the poster to whom you responded to said. The United States, for some definitions of printing.

It's the kind of thing that you can do, when you control the world's reserve currency.

reply

taiwanboy 2 hours ago [-]

The government can simply ban shorts, much like 2008, and what other European stock markets have done already. That would kill the shorts dead in its tracks. Then the stock market would stabilize, in time for businesses to stabilize and hopefully by summer everything will be recovery focused.

reply

AznHisoka 2 hours ago [-]

What if stocks dropping was mostly due to people selling their holdings?

reply

taiwanboy 1 hour ago [-]

With interest rate at near 0 percent and inflation at 2.3%, people will come back to stocks sooner rather than later

reply

AznHisoka 27 minutes ago [-]

Why? I would rather hold cash that gives me 0% return (or -2.3%) rather than something that is going to return less than 30% a year.

reply

raincom 1 hour ago [-]

You are ignoring bond markets, which is playing a huge factor in getting away from stocks.

reply

jjoonathan 1 hour ago [-]

> With interest rate at near 0 percent

reply

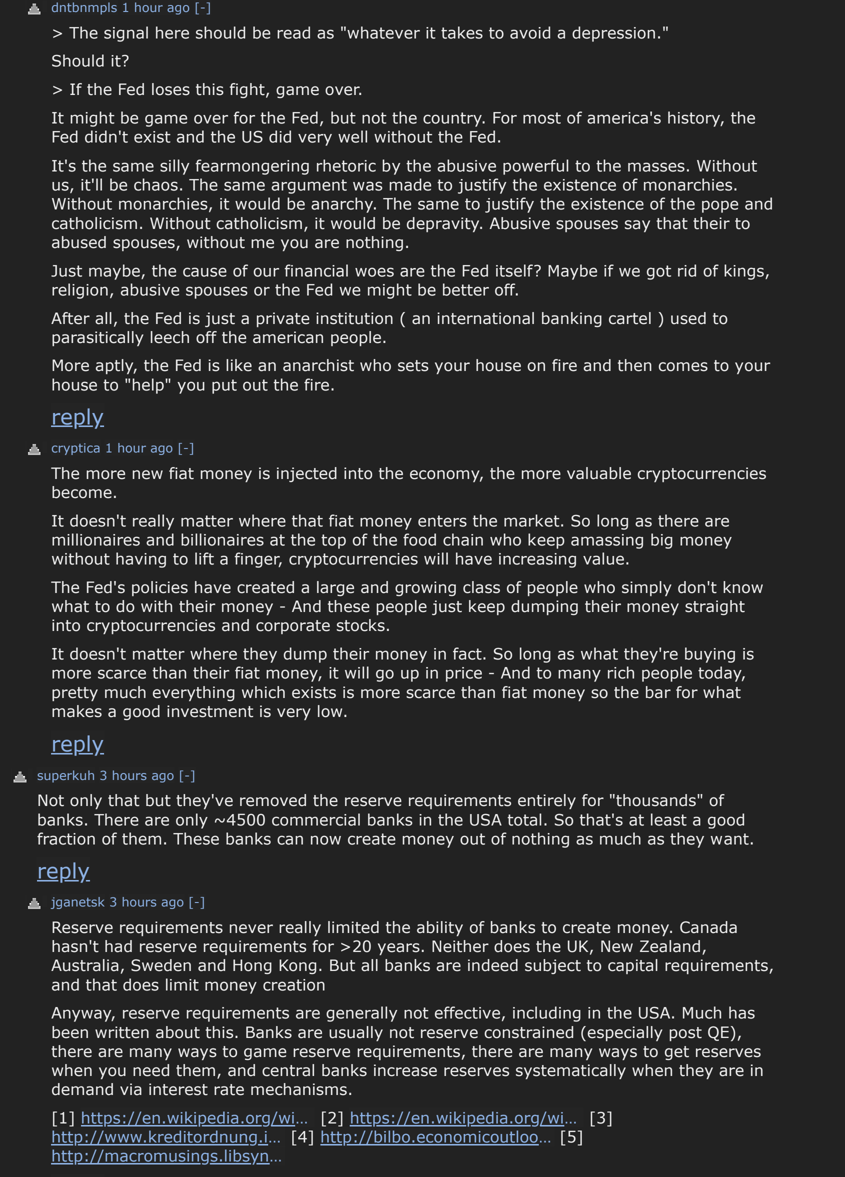
vkou 1 hour ago [-]

> If the Fed loses this fight, game over.

The fed is pushing on a rope. Any upcoming depression will be driven by collapse in demand, not supply. Slashing interest rates won't do anything to prop spending when consumers are sitting at home, not working, and not buying anything.

All this is, is an attempt to boost asset prices, to bailout investors.

reply



dntbnmpls 1 hour ago [-]

> The signal here should be read as "whatever it takes to avoid a depression."

Should it?

> If the Fed loses this fight, game over.

It might be game over for the Fed, but not the country. For most of america's history, the Fed didn't exist and the US did very well without the Fed.

It's the same silly fearmongering rhetoric by the abusive powerful to the masses. Without us, it'll be chaos. The same argument was made to justify the existence of monarchies. Without monarchies, it would be anarchy. The same to justify the existence of the pope and catholicism. Without catholicism, it would be depravity. Abusive spouses say that their to abused spouses, without me you are nothing.

Just maybe, the cause of our financial woes are the Fed itself? Maybe if we got rid of kings, religion, abusive spouses or the Fed we might be better off.

After all, the Fed is just a private institution ( an international banking cartel ) used to parasitically leech off the american people.

More aptly, the Fed is like an anarchist who sets your house on fire and then comes to your house to "help" you put out the fire.

reply

cryptica 1 hour ago [-]

The more new fiat money is injected into the economy, the more valuable cryptocurrencies become.

It doesn't really matter where that fiat money enters the market. So long as there are millionaires and billionaires at the top of the food chain who keep amassing big money without having to lift a finger, cryptocurrencies will have increasing value.

The Fed's policies have created a large and growing class of people who simply don't know what to do with their money - And these people just keep dumping their money straight into cryptocurrencies and corporate stocks.

It doesn't matter where they dump their money in fact. So long as what they're buying is more scarce than their fiat money, it will go up in price - And to many rich people today, pretty much everything which exists is more scarce than fiat money so the bar for what makes a good investment is very low.

reply

superkuh 3 hours ago [-]

Not only that but they've removed the reserve requirements entirely for "thousands" of banks. There are only ~4500 commercial banks in the USA total. So that's at least a good fraction of them. These banks can now create money out of nothing as much as they want.

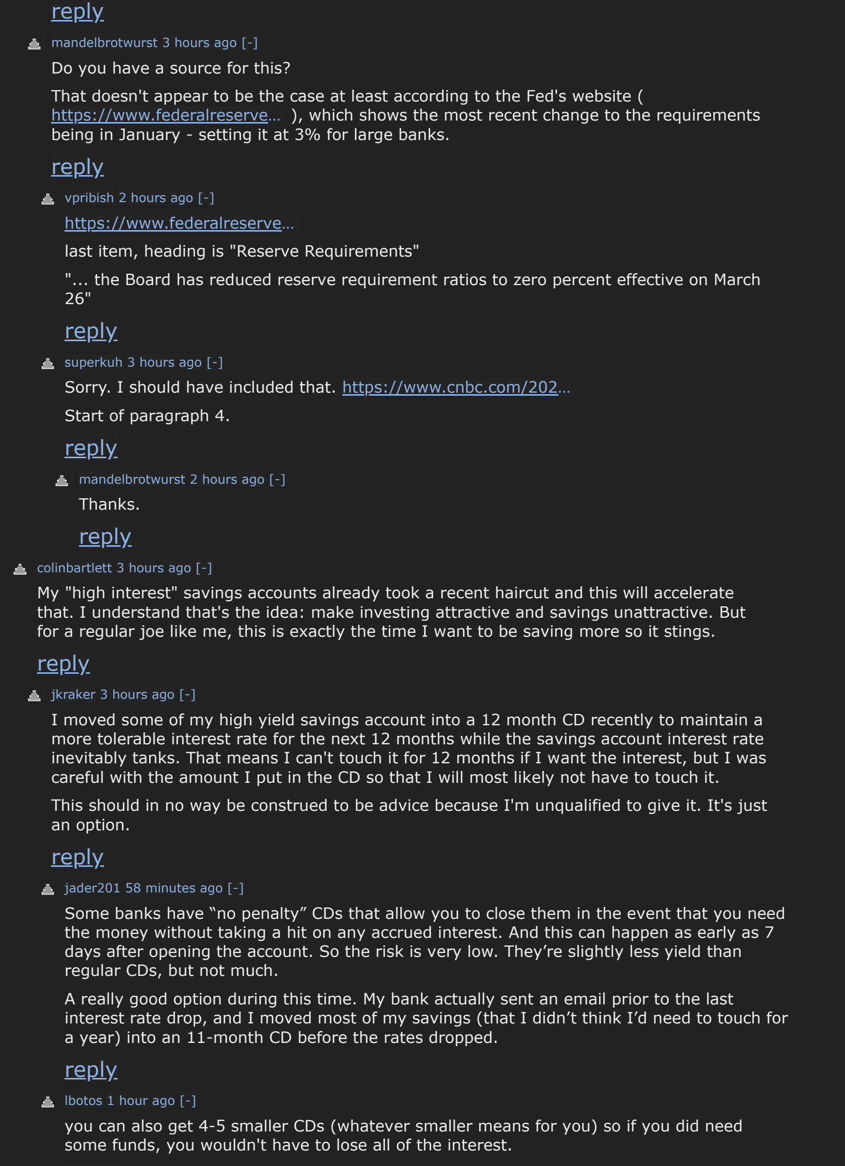
reply

jganetsk 3 hours ago [-]

Reserve requirements never really limited the ability of banks to create money. Canada hasn't had reserve requirements for >20 years. Neither does the UK, New Zealand, Australia, Sweden and Hong Kong. But all banks are indeed subject to capital requirements, and that does limit money creation

Anyway, reserve requirements are generally not effective, including in the USA. Much has been written about this. Banks are usually not reserve constrained (especially post QE), there are many ways to game reserve requirements, there are many ways to get reserves when you need them, and central banks increase reserves systematically when they are in demand via interest rate mechanisms.

[1] https://en.wikipedia.org/wi... [2] https://en.wikipedia.org/wi... [3] http://www.kreditordnung.i... [4] http://bilbo.economicoutloo... [5] http://macromusings.libsyn...



reply

mandelbrotwurst 3 hours ago [-]

Do you have a source for this?

That doesn't appear to be the case at least according to the Fed's website ( https://www.federalreserve... ), which shows the most recent change to the requirements being in January - setting it at 3% for large banks.

reply

vpribish 2 hours ago [-]

https://www.federalreserve...

last item, heading is "Reserve Requirements"

"... the Board has reduced reserve requirement ratios to zero percent effective on March 26"

reply

superkuh 3 hours ago [-]

Sorry. I should have included that. https://www.cnbc.com/202...

Start of paragraph 4.

reply

mandelbrotwurst 2 hours ago [-]

Thanks.

reply

colinbartlett 3 hours ago [-]

My "high interest" savings accounts already took a recent haircut and this will accelerate that. I understand that's the idea: make investing attractive and savings unattractive. But for a regular joe like me, this is exactly the time I want to be saving more so it stings.

reply

jkraker 3 hours ago [-]

I moved some of my high yield savings account into a 12 month CD recently to maintain a more tolerable interest rate for the next 12 months while the savings account interest rate inevitably tanks. That means I can't touch it for 12 months if I want the interest, but I was careful with the amount I put in the CD so that I will most likely not have to touch it.

This should in no way be construed to be advice because I'm unqualified to give it. It's just an option.

reply

jader201 58 minutes ago [-]

Some banks have “no penalty” CDs that allow you to close them in the event that you need the money without taking a hit on any accrued interest. And this can happen as early as 7 days after opening the account. So the risk is very low. They’re slightly less yield than regular CDs, but not much.

A really good option during this time. My bank actually sent an email prior to the last interest rate drop, and I moved most of my savings (that I didn’t think I’d need to touch for a year) into an 11-month CD before the rates dropped.

reply

lbotos 1 hour ago [-]

you can also get 4-5 smaller CDs (whatever smaller means for you) so if you did need some funds, you wouldn't have to lose all of the interest.

reply

perl4ever 2 hours ago [-]

What do you think is the difference between saving and investing??

reply

battery_cowboy 28 minutes ago [-]

Saving is for the proles, investing is for the oligarchs.

reply

nightski 2 hours ago [-]

Saving is preservation of capital whereas investing is growing capital. At least that is my take.

reply

perl4ever 1 hour ago [-]

Ok, but parent is lamenting that "saving" pays less than "investing". You're saying that's implied by the (or your) definition so it seems like it would go without saying.

reply

wffurr 34 minutes ago [-]

It's not that saving pays less than investing; it's that it's paying almost nothing right now. Savings account interest rates are terrible, which is very frustrating if you want to have some cash reserves.

I'm not going to put my 6 month emergency fund or the downpayment for my future house into stocks and ETFs; they're too risky. It hurts to keep it in a savings account paying less than 1% though, which is the alternative.

reply

jfk13 1 hour ago [-]

Saving is normally expected to be minimal-risk preservation of capital, whereas investing risks capital loss (alongside hoping for capital gain).

reply

auntienomen 2 hours ago [-]

This may well be a good time to buy low. Take the interest rate hit for a few months and be happy you have cash on hand when opportunity knocks.

reply

matt_the_bass 41 minutes ago [-]

I think the issue is cash-flow. So the govt should do things to mitigate cash-flow. Such as pause rent/mortgage payments for 2 months for anyone that is out of work due to this.

reply

phkahler 3 hours ago [-]

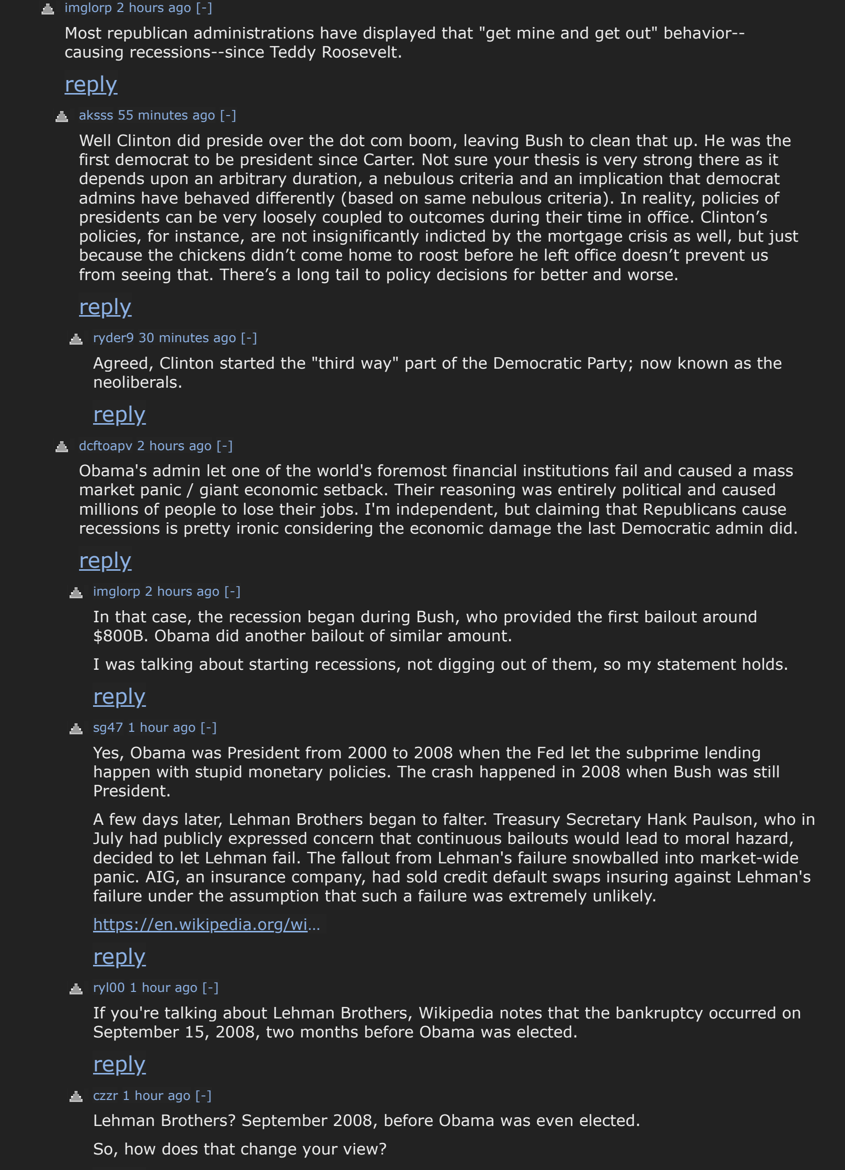
IMHO this is a really bad idea. Let's hope they raise them slowly this time, unlike 2007-8 when they went back up quickly and triggered mayhem.

reply

michaelyoshika 3 hours ago [-]

Don't know why this is downvoted. Cutting interest only benefits the wall street in the next couple months. Basically this admin only knows two things: 1, Cut interest rate 2, Cut tax And it doesn't care if the world explodes after they step down.

reply



imglorp 2 hours ago [-]

Most republican administrations have displayed that "get mine and get out" behavior--causing recessions--since Teddy Roosevelt.

reply

aksss 55 minutes ago [-]

Well Clinton did preside over the dot com boom, leaving Bush to clean that up. He was the first democrat to be president since Carter. Not sure your thesis is very strong there as it depends upon an arbitrary duration, a nebulous criteria and an implication that democrat admins have behaved differently (based on same nebulous criteria). In reality, policies of presidents can be very loosely coupled to outcomes during their time in office. Clinton’s policies, for instance, are not insignificantly indicted by the mortgage crisis as well, but just because the chickens didn’t come home to roost before he left office doesn’t prevent us from seeing that. There’s a long tail to policy decisions for better and worse.

reply

ryder9 30 minutes ago [-]

Agreed, Clinton started the "third way" part of the Democratic Party; now known as the neoliberals.

reply

dcftoapv 2 hours ago [-]

Obama's admin let one of the world's foremost financial institutions fail and caused a mass market panic / giant economic setback. Their reasoning was entirely political and caused millions of people to lose their jobs. I'm independent, but claiming that Republicans cause recessions is pretty ironic considering the economic damage the last Democratic admin did.

reply

imglorp 2 hours ago [-]

In that case, the recession began during Bush, who provided the first bailout around $800B. Obama did another bailout of similar amount.

I was talking about starting recessions, not digging out of them, so my statement holds.

reply

sg47 1 hour ago [-]

Yes, Obama was President from 2000 to 2008 when the Fed let the subprime lending happen with stupid monetary policies. The crash happened in 2008 when Bush was still President.

A few days later, Lehman Brothers began to falter. Treasury Secretary Hank Paulson, who in July had publicly expressed concern that continuous bailouts would lead to moral hazard, decided to let Lehman fail. The fallout from Lehman's failure snowballed into market-wide panic. AIG, an insurance company, had sold credit default swaps insuring against Lehman's failure under the assumption that such a failure was extremely unlikely.

https://en.wikipedia.org/wi...

reply

ryl00 1 hour ago [-]

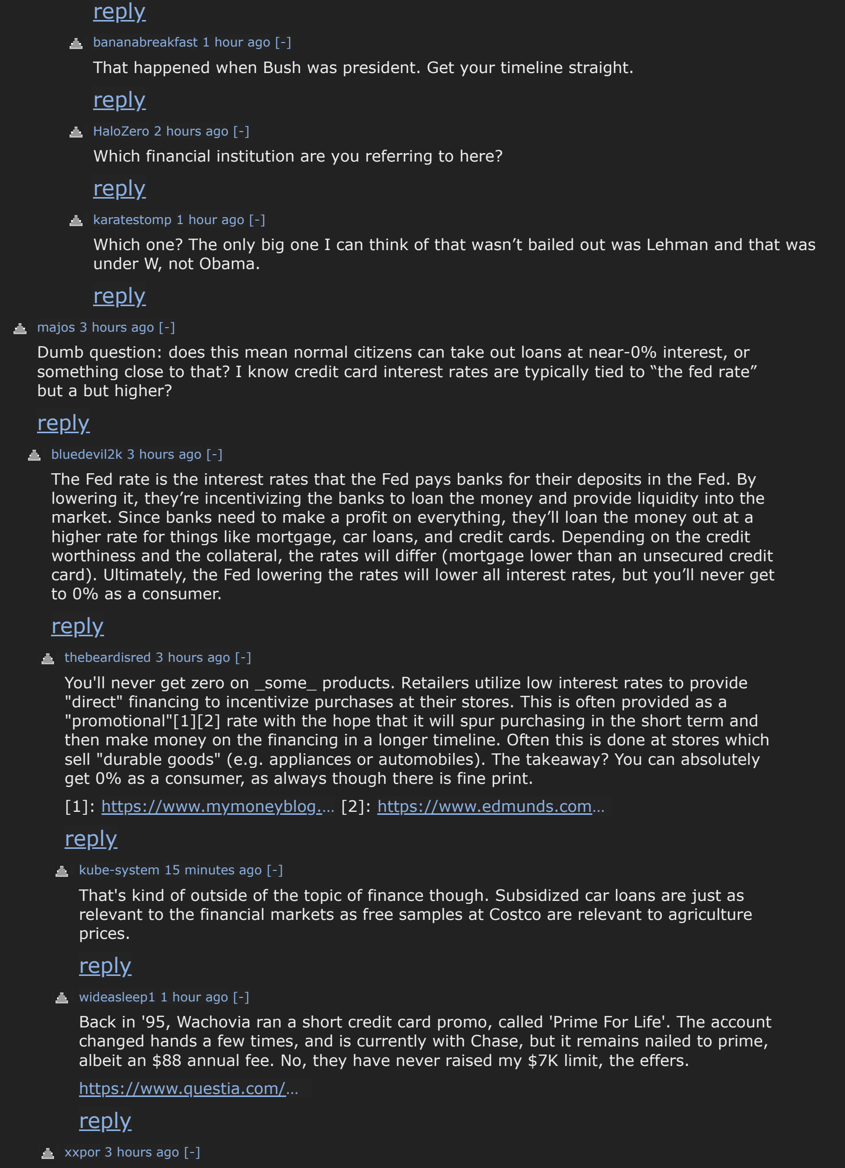
If you're talking about Lehman Brothers, Wikipedia notes that the bankruptcy occurred on September 15, 2008, two months before Obama was elected.

reply

czzr 1 hour ago [-]

Lehman Brothers? September 2008, before Obama was even elected.

So, how does that change your view?



reply

bananabreakfast 1 hour ago [-]

That happened when Bush was president. Get your timeline straight.

reply

HaloZero 2 hours ago [-]

Which financial institution are you referring to here?

reply

karatestomp 1 hour ago [-]

Which one? The only big one I can think of that wasn't bailed out was Lehman and that was under W, not Obama.

reply

majos 3 hours ago [-]

Dumb question: does this mean normal citizens can take out loans at near-0% interest, or something close to that? I know credit card interest rates are typically tied to "the fed rate" but a but higher?

reply

bluedevil2k 3 hours ago [-]

The Fed rate is the interest rates that the Fed pays banks for their deposits in the Fed. By lowering it, they're incentivizing the banks to loan the money and provide liquidity into the market. Since banks need to make a profit on everything, they'll loan the money out at a higher rate for things like mortgage, car loans, and credit cards. Depending on the credit worthiness and the collateral, the rates will differ (mortgage lower than an unsecured credit card). Ultimately, the Fed lowering the rates will lower all interest rates, but you'll never get to 0% as a consumer.

reply

thebeardisred 3 hours ago [-]

You'll never get zero on _some_ products. Retailers utilize low interest rates to provide "direct" financing to incentivize purchases at their stores. This is often provided as a "promotional"[1][2] rate with the hope that it will spur purchasing in the short term and then make money on the financing in a longer timeline. Often this is done at stores which sell "durable goods" (e.g. appliances or automobiles). The takeaway? You can absolutely get 0% as a consumer, as always though there is fine print.

[1]: https://www.mymoneyblog.... [2]: https://www.edmunds.com...

reply

kube-system 15 minutes ago [-]

That's kind of outside of the topic of finance though. Subsidized car loans are just as relevant to the financial markets as free samples at Costco are relevant to agriculture prices.

reply

wideasleep1 1 hour ago [-]

Back in '95, Wachovia ran a short credit card promo, called 'Prime For Life'. The account changed hands a few times, and is currently with Chase, but it remains nailed to prime, albeit an $88 annual fee. No, they have never raised my $7K limit, the effers.

https://www.questia.com/...

reply

xxpor 3 hours ago [-]

>but you’ll never get to 0% as a consumer.

Unless we see negative fed rates. Not that I think going so negative we see consumer level 0% mortgages is likely.

reply

jaggederest 3 hours ago [-]

Ironically, much of the tax advantage of owning vs renting is embodied in the mortgage interest tax deduction. If there were no interest, obviously it would be a good deal, but would not have the additional benefit of tax avoidance that it does at present.

reply

dlp211 2 hours ago [-]

Much of the tax avoidance from primary residence property has been removed from the tax code already due to the TCJA. Not all of it, but most of it. It also makes no sense to have a mortgage for the tax break. Rentals have depreciation and the interest remains deductible as an expense on them there, so that isn't really an issue.

reply

aksss 1 hour ago [-]

Regarding tax avoidance from primary residence, what specifically? I can still deduct mortgage interest. Are you talking about not itemizing some home ownership expenses (like what?) because standard deduction increase? Just wondering what I’m missing..

reply

mobilefriendly 18 minutes ago [-]

You can't deduct it with the new larger standard personal deduction, only if you itemize. The Trump tax bill was a reform made the mortgage deduction moot for about 20 million taxpayers.

reply

tjomk 2 hours ago [-]

Take a look at Europe with negative rates. Every bank has a statement that if the rate goes below 0 your effective rate will still be above that.

reply

brianpgordon 3 hours ago [-]

One note... what you're describing is the IOER rate, not the fed funds rate. But other than that you're spot on.

reply

myoon 3 hours ago [-]

No, this is the fed fund rate, which is just for banks to borrow really short term (overnight usually) to each other. Most consumer loans are based on the prime rate, which has a few points added to the fund rate to cover the cost of borrowing.

reply

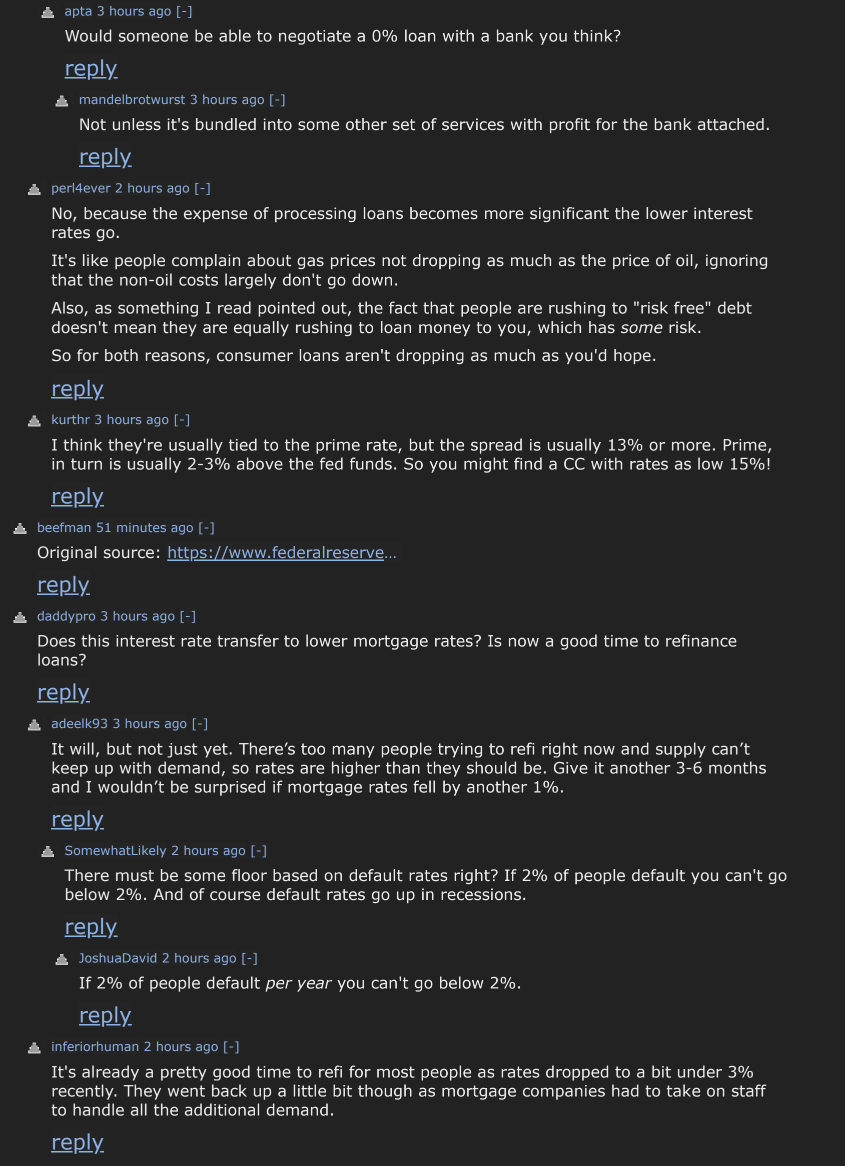
dcftoapv 3 hours ago [-]

Adding some further nuance to this point:

- Many other rates in existing contracts are tied to the fed funds rate so things like existing mortgage and student loan payments may get smaller as a result of this action

- This will only work for new contracts insofar as credit risk does not materially increase (which it will in an economic downturn); banks will increase consumer spreads against the fed funds rate on a go-forward basis

reply



apta 3 hours ago [-]

Would someone be able to negotiate a 0% loan with a bank you think?

reply

mandelbrotwurst 3 hours ago [-]

Not unless it's bundled into some other set of services with profit for the bank attached.

reply

perl4ever 2 hours ago [-]

No, because the expense of processing loans becomes more significant the lower interest rates go.

It's like people complain about gas prices not dropping as much as the price of oil, ignoring that the non-oil costs largely don't go down.

Also, as something I read pointed out, the fact that people are rushing to "risk free" debt doesn't mean they are equally rushing to loan money to you, which has *some* risk.

So for both reasons, consumer loans aren't dropping as much as you'd hope.

reply

kurthr 3 hours ago [-]

I think they're usually tied to the prime rate, but the spread is usually 13% or more. Prime, in turn is usually 2-3% above the fed funds. So you might find a CC with rates as low 15%!

reply

beefman 51 minutes ago [-]

Original source: https://www.federalreserve...

reply

daddypro 3 hours ago [-]

Does this interest rate transfer to lower mortgage rates? Is now a good time to refinance loans?

reply

adeelk93 3 hours ago [-]

It will, but not just yet. There’s too many people trying to refi right now and supply can’t keep up with demand, so rates are higher than they should be. Give it another 3-6 months and I wouldn’t be surprised if mortgage rates fell by another 1%.

reply

SomewhatLikely 2 hours ago [-]

There must be some floor based on default rates right? If 2% of people default you can't go below 2%. And of course default rates go up in recessions.

reply

JoshuaDavid 2 hours ago [-]

If 2% of people default *per year* you can't go below 2%.

reply

inferiorhuman 2 hours ago [-]

It's already a pretty good time to refi for most people as rates dropped to a bit under 3% recently. They went back up a little bit though as mortgage companies had to take on staff to handle all the additional demand.

reply

onlyrealcuzzo 3 hours ago [-]

No. This is a rate for banks only. You get the rate banks pass on to consumers, which is obviously higher, because they need to make money.

reply

WalterBright 3 hours ago [-]

Mortgage interest rates are usually "prime + x". So the prime reducing will reduce "prime + x" by the same amount.

For the same reason, I expect margin interest to drop by the same amount.

reply

dcftoapv 3 hours ago [-]

This is not going to help

- It takes two years for monetary supply changes to fully propagate through the economy

- Cutting rates to 0% has not been effective in Japan or Europe

The fed does have a role to play here

- They can provide liquidity to the market

- They can serve as a backstop in a time of crisis

DC needs to get their shit together

- Eliminating Trump's tariffs would do more to increase long-term investment than cutting rates to 0%

- They should have created targeted lending program to help businesses that need short-term cash flow assistance yesterday; the next best time to do it is right f*ing now

reply

paganel 3 hours ago [-]

As someone said before, I think this is more about sending a message, as in "we're going to do whatever it takes". To be honest I don't know what the future will hold from a financial/economics point of view, but imho this is an once-in-a-century crisis.

reply

dcftoapv 2 hours ago [-]

You're right, and they made a lot of changes that are necessary to keep the global economy functioning over the next few months. I did not mean to imply that they shouldn't be taking action.

I am very skeptical about cutting rates again. There are much more effective actions that could be taken at the policy level. The fed is doing what it can, but it doesn't have the right tools to lead the charge on this.

reply

paganel 2 hours ago [-]

Yeah, this should definitely be teamed up with corresponding fiscal and trade policies, the Fed cannot sort all of this mess by itself.

reply

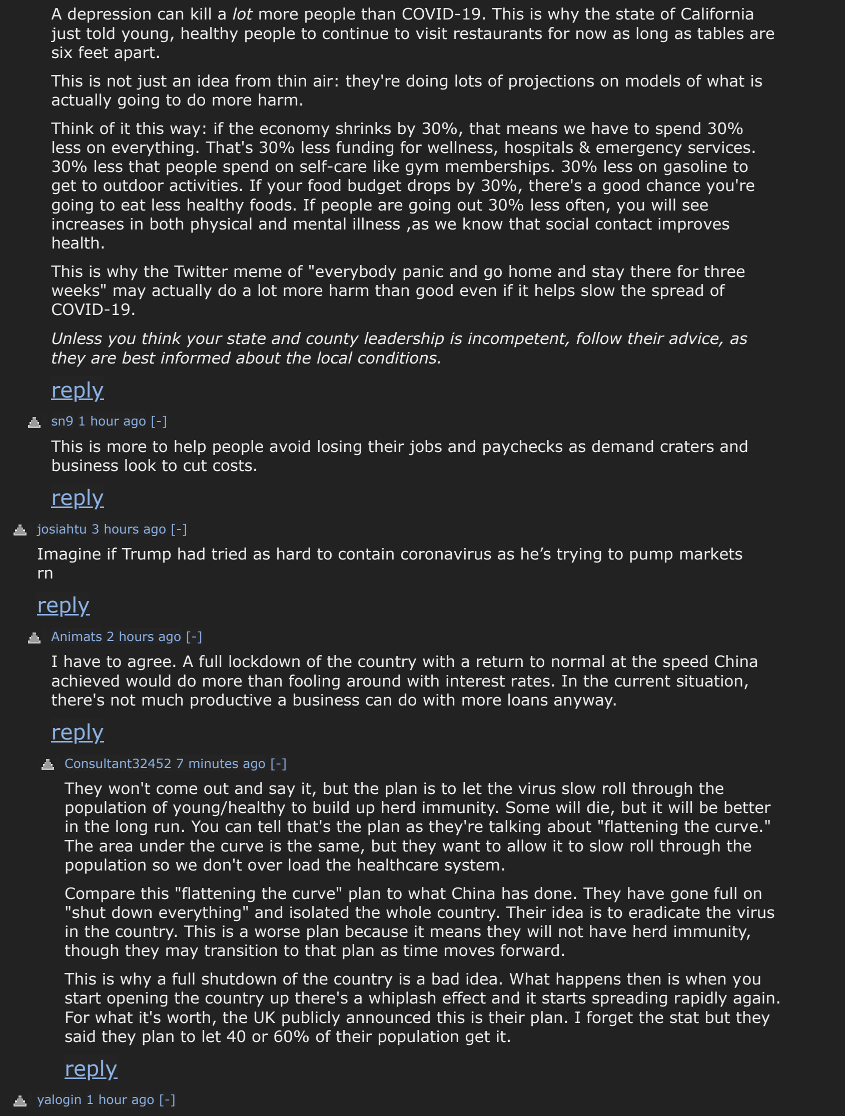
spodek 2 hours ago [-]

In the context of Covid, wouldn't lowering economic activity help keep people home?

It seems more than "just" saving lives. Purely economically, wouldn't a crashed health care system hurt the economy for a longer term?

reply

sarah180 1 hour ago [-]



A depression can kill a *lot* more people than COVID-19. This is why the state of California just told young, healthy people to continue to visit restaurants for now as long as tables are six feet apart.

This is not just an idea from thin air: they're doing lots of projections on models of what is actually going to do more harm.

Think of it this way: if the economy shrinks by 30%, that means we have to spend 30% less on everything. That's 30% less funding for wellness, hospitals & emergency services. 30% less that people spend on self-care like gym memberships. 30% less on gasoline to get to outdoor activities. If your food budget drops by 30%, there's a good chance you're going to eat less healthy foods. If people are going out 30% less often, you will see increases in both physical and mental illness ,as we know that social contact improves health.

This is why the Twitter meme of "everybody panic and go home and stay there for three weeks" may actually do a lot more harm than good even if it helps slow the spread of COVID-19.

*Unless you think your state and county leadership is incompetent, follow their advice, as they are best informed about the local conditions.*

reply

sn9 1 hour ago [-]

This is more to help people avoid losing their jobs and paychecks as demand craters and business look to cut costs.

reply

josiahtu 3 hours ago [-]

Imagine if Trump had tried as hard to contain coronavirus as he’s trying to pump markets rn

reply

Animats 2 hours ago [-]

I have to agree. A full lockdown of the country with a return to normal at the speed China achieved would do more than fooling around with interest rates. In the current situation, there's not much productive a business can do with more loans anyway.

reply

Consultant32452 7 minutes ago [-]

They won't come out and say it, but the plan is to let the virus slow roll through the population of young/healthy to build up herd immunity. Some will die, but it will be better in the long run. You can tell that's the plan as they're talking about "flattening the curve." The area under the curve is the same, but they want to allow it to slow roll through the population so we don't over load the healthcare system.

Compare this "flattening the curve" plan to what China has done. They have gone full on "shut down everything" and isolated the whole country. Their idea is to eradicate the virus in the country. This is a worse plan because it means they will not have herd immunity, though they may transition to that plan as time moves forward.

This is why a full shutdown of the country is a bad idea. What happens then is when you start opening the country up there's a whiplash effect and it starts spreading rapidly again. For what it's worth, the UK publicly announced this is their plan. I forget the stat but they said they plan to let 40 or 60% of their population get it.

reply

yalogin 1 hour ago [-]

Why is this warranted yet? This is a terrible that will only signal that the fed is panicking and nothing else. There are no indications that the supply chain is disrupted or that the economy is sputtering. It will happen at some point in the next few weeks with or without the infusion and rate cuts now. These things are much better done when warranted rather than now. As of now it’s only a humanitarian crisis and only thing that will help is effective communication to contain the pandemic. These infusions now will soon be forgotten by the next bad news and the effect will not persist.

reply

michaelyoshika 1 hour ago [-]

Earlier this weekend Trump said he could have fired Powell but choose not too. Imagine you were Powell, what would you do?

reply

peteradio 42 minutes ago [-]

Somehow I doubt Powell is living paycheck to paycheck. Professionals shouldn't cave under pressure that's why they make the big bucks. This is only a rebuttal to the "what would you do?" I have no idea whether or not he was pressured or if this is a good or bad move.

reply

chance_state 1 hour ago [-]

What you felt was right, rather than self-preserving, perhaps?

reply

coretx 2 hours ago [-]

The EU is printing more EUR, helping everyone. The USA is lowering the interest, helping the ultra rich.

reply

sarah180 1 hour ago [-]

This is effectively how you print money in a modern economy. They're giving banks access to a lot more cash and have reduced reserve requirements to 0%, meaning that banks can loan new money without limitation and without fear that they'll be able to borrow to cover those loans.

Most money is not actually on paper, so the amount you print is not the point.

reply

coretx 47 minutes ago [-]

You can only benefit / capitalize on the decreased interest if you are in possession of capital already.

reply

allovernow 1 hour ago [-]

Bank runs are coming. We are witnessing financial collapse and possibly the early failure of the American empire. Futures trading was halted today. Market will tank tomorrow. That's after a $1.5T stimulus. This is it.

reply

somewhereoutth 23 minutes ago [-]

This feels like the end of an era - an era that ran from the fall of the Berlin Wall up to the appearance of Covid-19. A global era, a largely peaceful era, a profligate era, and an era of growing inequality. Who knows what comes next...

reply

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